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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001972

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SUBJECT: AMBASSADOR MEETS ALI BABAN, NEW MINISTER OF  
PLANNING AND DEVELOPMENT

Classified By: Ambassador Zalmay Khalilzad for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: Ali Baban, the new Minister of Planning, paid an introductory call to Ambassador on May 27. Baban discussed donor assistance, creating jobs through micro-finance and business development, and attracting foreign investment. He also introduced new ideas for an Office of International Cooperation to coordinate donor assistance efforts and for an Investment Management Office. Baban welcomed USG assistance and the opportunity to work with an Embassy team on these issues. Ambassador stressed the need for a strong legal regime to promote investment and job creation, as well as USG interest in Iraq presenting a comprehensive development plan to the international community as part of the Compact for Iraq. END SUMMARY.

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DEVELOPING THE PRIVATE SECTOR AND  
ATTRACTING FOREIGN INVESTMENT  
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¶2. (C) In his introductory call on the Ambassador, Minister Baban was critical of the effectiveness of some USG assistance but also expressed views concurrent with our own on next steps. Baban emphasized his "main concern" of giving the Iraqi people hope, particularly job-seeking youths. He criticized that U.S. assistance is not being seen by many Iraqis and that he wants to publicize assistance to make it more effective. Baban argued that the high unemployment rate (30-40 percent) has a negative effect on the security situation. To help remedy this, Baban said he would like to see micro-finance institutions active in every province -- dispensing \$5,000 to \$10,000 in capital to those interested in starting businesses. Minister Baban added that creating training or vocational centers also would be important for new job seekers. Ambassador emphasized the need to create a strong legal regime for investment as a step toward job creation.

¶3. (C) Ambassador listed funding that is available (\$35 million from USAID and \$40 million from IRMO) to provide assistance to small and medium-sized businesses (SMEs). He also offered assistance from a group of Embassy representatives to participate in a working group to set goals and timelines for creation of laws to support private sector development (including foreign investment). Although Minister Baban welcomed assistance from this team, he also showed some hesitancy in remarking that "small steps" rather than "big laws" are needed. Minister Baban added that he plans to create an Investment Management Office within the Ministry of Planning and Development to facilitate legislative efforts and ideas. (NOTE: Minister Baban seemed unaware of the Ministry of Planning's prior initiatives, such as Former Minister Saleh's effort to create an Iraqi Investment Promotion Agency (an inter-ministerial effort to centralize investment promotion efforts). END NOTE.)

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MINISTER REACTS TO COMPACT  
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¶4. (C) Ambassador raised the issue of the International Compact and expressed hope that Iraq will be prepared to present its development plan to the international community prior to the launch of the Compact in the fall. He urged the GOI to forge an agreement with Gulf states to reduce Iraq's debt and work on repatriations. Ambassador mentioned his own recent trip to Qatar, during which the Emir raised the idea of gaining support from the Gulf Cooperation Council (GCC) countries for an Iraq Development Bank with approximately \$4 billion in capital. Ambassador added that the UAE now appears prepared to help Iraq.

¶5. (C) In response, Minister Baban mentioned his plans to appoint an experienced Deputy Minister to head a special Office of International Cooperation. The Deputy Minister, Baban explained, would play a strong role in coordinating the GOI's approach toward donor assistance. Baban noted that it is important for Iraqis to "feel" the aid that Iraq is receiving and to see results. He also said it is important for Iraqis to hear that USG assistance will not stop, which he believes will give Iraqis more confidence in the Iraqi economy.

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COSIT - BETTER STATISTICS NEEDED!  
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¶6. (C) Noting that he understands the political implications of inaccurate data, Baban raised the importance of developing

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the capacity of the Central Office of Statistics and Information Technology (COSIT) and the need for an accurate census. Baban said he discussed these issues in a meeting with the Director of COSIT.

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COMMENTS  
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¶7. (C) COMMENT: Because the meeting took place so soon after Baban's appointment as minister, we are not surprised that he did not discuss specific appointees or in-depth changes in the Ministry (aside from his idea for appointing a Deputy Minister for International Cooperation). However, Baban's lack of awareness about important work on investment promotion that occurred during DPM Saleh's tenure at the Ministry means that we have a lot of work ahead of us. We intend to use Minister Baban's welcome of additional ministerial assistance and capacity building to bring him up to speed on various initiatives, particularly on economic reform. Under the wrong leadership, the Ministry could be a tool of state economic control; however, previous Planning Minister Saleh was greatly helpful in overcoming cabinet resistance to necessary change on many reform issues.

¶8. (C) COMMENT CONT'D: Moreover, the Ministry's role as the primary source of basic statistical information for the GOI means that it provides a critical resource to measure the impact of social and economic measures. Finally, the Ministry's probable role as the coordinator of the Iraqi response to the International Compact will put it in a key position vis-a-vis the international donor community. Our work to build capacity in the ministry thus will be all the more important as we seek to have the Iraqis articulate their own vision for future economic development and put their own commitments on the table opposite those of the international community.  
KHALILZAD